

**Top Secret 219**

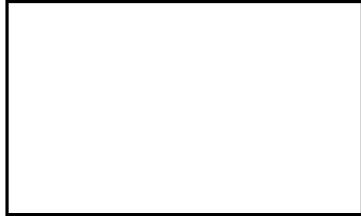
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NATIONAL INTELLIGENCE DAILY CABLE

 Tuesday 23 May 1978 CG NIDC 78/120C

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**NATIONAL SECURITY INFORMATION**  
Unauthorized Disclosure Subject to Criminal Sanctions

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National Intelligence Daily Cable for Tuesday, 23 May 1978

The NID Cable is for the purpose of informing senior US officials.

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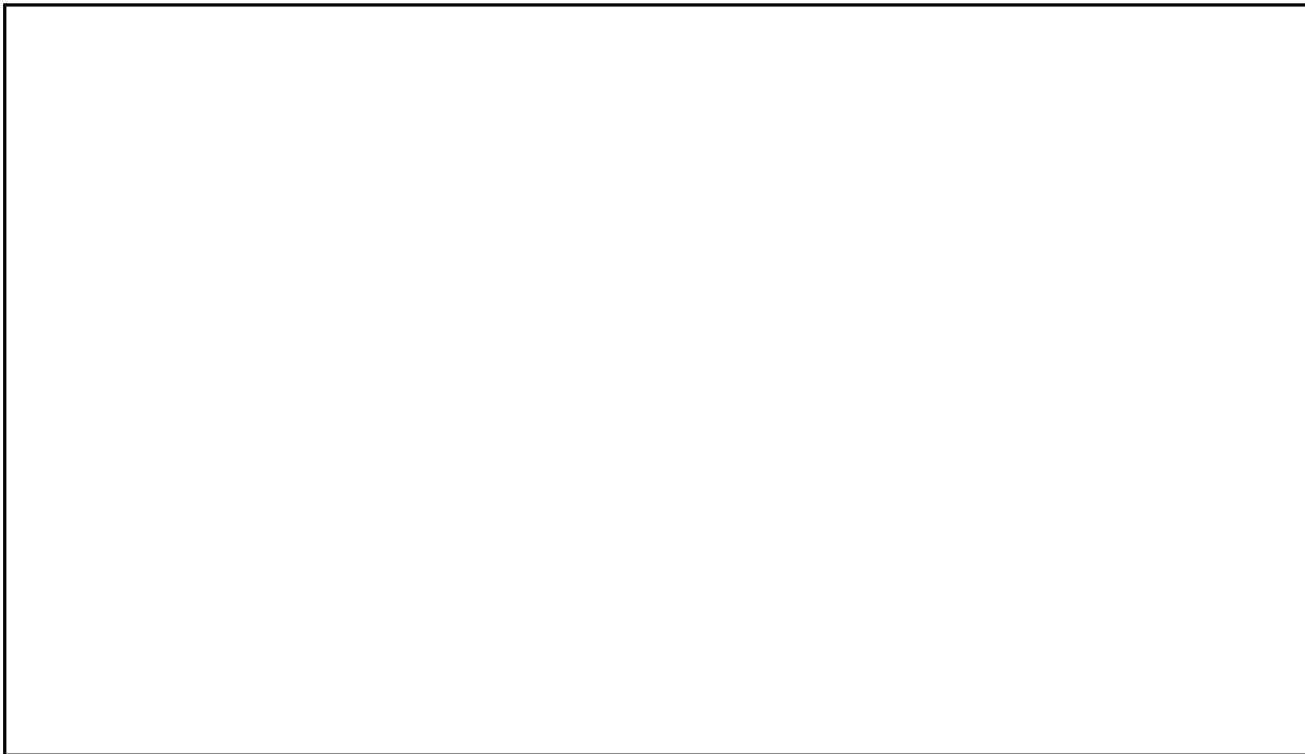
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PERU: General Strike Situation

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A nationwide work stoppage that began yesterday in Peru has brought most of the country to a standstill, paralyzing perhaps as much as 75 percent of its economic activity. Demonstrations protesting stringent government austerity measures resulted in sporadic disturbances in Lima and throughout the countryside. A curfew was imposed yesterday, and security forces are bracing for possibly more serious violence today.

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The strike, which follows weeklong rioting over steep price increases on basic commodities, was particularly effective in halting transportation and banking activities. Key arteries into the capital were blocked, and scattered clashes occurred in outlying slum districts. Preliminary reports say two to four people were killed and many injured, but the final tally may be higher.

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[redacted] In the mining area of Huancavelica, south of Lima, workers with access to dynamite attempted to blow up electric transmitters and other key installations. Army troops are being flown into the area to assist police, and the situation is reported to be tense. Operations were normal in other mining districts, but further shutdowns are likely today.

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[redacted] Discontent with the military government of President Morales Bermudez will probably grow as demands mount for a solution to Peru's acute economic crisis. [redacted]

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EL SALVADOR: Terrorist Kidnapings

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1/ The kidnapings last week of three prominent businessmen, including the head of a Japanese firm, are the first coordinated actions by terrorist groups in El Salvador. Influential private citizens and government leaders are now pressing President Romero to take decisive action against the terrorists. //

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1/ The terrorists called the Armed Forces of the National Resistance, are threatening to kill the kidnaped Japanese. The list of demands received by his family includes the release of 22 political prisoners, a general amnesty for those jailed after the recent public disturbances, annulment of the law under which the arrests were made, publication of the kidnappers' manifesto, and a ransom of \$4 million.

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[redacted] The government has issued repeated public denials that it holds any political prisoners. The government is also beset with continuing peasant disturbances, and tension between the administration and low income groups has risen following clashes that left two dead.

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[redacted] Thus far, Romero and his top advisers have resisted pressure for massive repression, but further terrorist action or the execution of any kidnap victims could convince Romero that a crackdown is in order. [redacted]

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#### WEST GERMANY: Stimulation Program

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[redacted] The West German Government is considering further measures to stimulate the economy as a result of increasing domestic and international pressure. An increase in the 1979 federal budget is likely.

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[redacted] At the April summit of the European Community, and more recently at meetings of the Organization for Economic Cooperation and Development and of the International Monetary Fund, West German policymakers were strongly urged to take early action to stimulate more rapid growth to help the international recovery.

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[redacted] While Bonn officially clings to its 3.5-percent growth target for gross national product this year, the leading economic research institutes have lowered their consensus forecast to 2.5 percent from 3 percent last fall. Preliminary data for the first quarter of 1978 shows no growth. We believe a 2.5- to 3-percent growth is likely.

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[redacted] Chancellor Schmidt and Finance Minister Matthoefer favor increased public spending over tax cuts; the Bundesbank is likely to support this policy. The majority of the institutes, however, recommend temporary tax cuts to energize the economy. The chairman of West Germany's Council of Economic Experts advocates tax relief.

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[redacted] Cabinet sessions next month will discuss the federal budget for 1979. The government is likely to opt for an increase in planned expenditures; additional programs could include more funds for energy conservation and low-cost housing. Matthoefer may recommend increased government financial support for research and development on alternative sources of energy and on antipollution technology. [redacted]

BRIEFS

North Yemen

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[redacted] North Yemeni troops who moved into the country's southern province last weekend apparently forced the rebellious Abdallah al-Alim, who was formerly a Command Council member and paratroop commander, to flee to South Yemen. The troops encountered some resistance from Alim's supporters, but are now reported to control the area. [redacted]

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[redacted] There was apparently no support for Alim from South Yemen--a possibility North Yemeni officials had feared. Alim's departure removes a major source of concern for President Ahmad al-Ghashmi, who can now concentrate on forming a new government. [redacted]

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Yugoslavia-CEMA

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[redacted] Yugoslavia will receive the first credit ever granted to a nonmember country by the International Investment Bank of the Council for Mutual Economic Assistance. The credit will apparently be used to upgrade or expand a factory that produces equipment for the Yugoslav auto industry and for export to the USSR, East Germany, and Czechoslovakia.

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[redacted] A CEMA council meeting in April approved the Yugoslav project and four others in Romania, Hungary, and Poland. The

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investment bank reportedly plans to raise a syndicated loan--possibly on the order of \$400 million--some time this summer to help finance one or more of these projects. [redacted]

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Colombia

(C) Widespread protests and strikes that followed the government announcement of increased transportation fares earlier this month are subsiding. The security forces have effectively contained the violence, which has been limited mainly to attacks on public transportation and official vehicles. Security patrols are nevertheless continuing in Bogota and other major cities. Tensions probably will ease in time to assure a peaceful presidential election on 4 June. [redacted]

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